



UNITED STATES GENERAL ACCOUNTING OFFICE  
 REGIONAL OFFICE  
 SUITE 900, 1275 MARKET STREET  
 SAN FRANCISCO, CALIFORNIA 94103  
 (415) 556-6200

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APR 8 1980

IN REPLY REFER TO: 950527

Colonel Ray K. Baliles  
 Commander, 323rd Flying Training Wing (ATC)  
 Mather Air Force Base, California 95655 DLG04380

Dear Colonel Baliles:

We have completed a preliminary [study of the base level procurement activities] of the 323rd Flying Training Wing. The purpose of our work was to determine how the procurement system operates at Mather, and to ascertain the adequacy of controls over the award to and performance of selected contractors. Because the General Accounting Office has decided to undertake major nationwide reviews in several of the areas we had selected for more detailed examination, we are curtailing this study and will continue our work in most of these areas as part of this nationwide review. However, we are furnishing you some observations on the work we have performed to date for your review and consideration. We would appreciate receiving your comments on our observations.

The Air Force has a stated policy of contracting out functions not required to be performed by military or civilian Government personnel, with a goal of reducing operating costs. In Fiscal Year 1979, local procurement at Mather included 28,445 procurement actions totaling \$18.5 million.

We selected for detailed review at Mather the contract with Kass Management Services to provide full food service operations; the contract with Hust Brothers, Inc., to provide repair parts for motor vehicles and related equipment through an on-base contractor-operated parts store; and the contract just completed by Cook Building Maintenance Service to perform custodial services in various facilities on the base. DLG04382 DLG04383 DLG04384

GAO has undertaken major nationwide reviews that will cover the first two of the above contracts. The comments below, therefore, will be confined to the third contract listed above.

Custodial Services

This was an advertised contract for custodial services in various facilities at Mather. Under terms of the contract, the contractor was responsible for furnishing all management, labor, supervision, and cleaning equipment and supplies to perform the required services.



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The contract called for daily, weekly, monthly, semi-annual, and annual services. For example, on a daily basis, among other things, some floors should be swept or vacuumed - on a monthly basis, the floors should be scrubbed and buffed - and so on for the various semi-annual and annual services.

From our examination, it appears that the contractor did not consistently perform the required services. We were informed by contract administration personnel that this is a continuing problem on custodial contracts. The contract administrator continually has to supervise the work and insist that contract requirements be adhered to. This was especially true in the case of the various semi-annual and annual services called for in this contract. For example, during the contract with Cook Building Maintenance Service, as early as the beginning of November 1978, the contract administrator stated to the contractor that services were marginal in various facilities and provided him a written summary of discrepancies. Later in November, the contractor was formally notified that a central problem appeared to be a lack of effective contractor site supervision to ensure that the janitorial services were satisfactory.

Early in December, the contractor was again notified of continuing problems with his performance. By April 1979, performance of the semi-annual and annual cleaning requirements became a serious problem. At that point, the contractor said he did not have enough money to hire additional workers to do the semi-annual and annual requirements and that he would need twice as many workers as he had to do all the services. After the contractor replaced his site supervisor during May 1979, things improved somewhat, but as late as June 1979, the contractor was still complaining that he would be lucky to break-even on the contract and would probably lose money. In July 1979, the decision was made by Mather to not exercise the option to extend the contract beyond its September 30, 1979, completion date.

We do not consider the responses by the contractor that he could not perform all the required work with the personnel he had, and that he did not have the money to hire additional people, as a reasonable defense. The contractor should have been aware of the specifications when he submitted his bid, and should have known that he was expected to perform all the tasks set out in the contract specifications. The contractor apparently did not question the reasonableness of the specifications at the time of award. Therefore, there seems to be no reason not to expect the contractor to perform the required work.

When a contractor does not perform all the specified tasks, in our opinion, this represents a contract modification. Therefore, the contract administrator would be entitled to require the contractor to submit cost or pricing data to justify the downward modification of contract specifications. In addition, there were formal modifications to this contract in February and April 1979 to add maintenance of additional buildings. Although some rudimentary data was gathered, in neither case was formal cost or pricing data obtained, which could have assisted

the Air Force in making an overall assessment of the contractors' actual ability to perform all contract tasks.

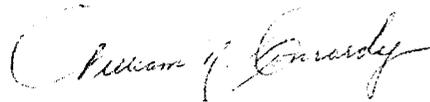
In this regard, the contractor voluntarily furnished us his payroll data for July, August, and September 1979. The figures furnished by the contractor indicated a total cost for the period for personnel, supervision, and payroll taxes of just over \$32,000. Using this quarter as an average just for illustration purposes, the total of these costs for the year on this contract could have been about \$128,000 out of the total contract amount of about \$204,000. Although our work on this matter was limited, this information gives an indication that the contract administrator could have been in a position to question the contractor's statement that he was financially unable to perform all required work under the contract.

Conclusion

We believe that when a situation such as this occurs, the contract administrators should require that the contract specifications be adhered to, or require that contractors furnish specific documented evidence that provides a basis for contract modifications that are fair and equitable to both parties. We would appreciate receiving your views on the custodial contract within 30 days so that we can give consideration to your comments in planning future work in this area.

If we can furnish you any additional information, please contact Bob Powell in our Sacramento office 484-4454. We certainly appreciate the cooperation extended by Major Rodney Showers and Mr. Delvin Ressel and others of your staff during our review.

Sincerely



William N. Conrardy  
Regional Manager

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